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C O N F I D E N T I A L ZAGREB 002656

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TAGS: [PREL](#) [PGOV](#) [HR](#)

SUBJECT: AMBASSADOR'S MEETING WITH PM-DESIGNATE SANADER:  
FLAGGING U.S. CONCERNS

Classified By: Nicholas Hill, Political-Economic Counselor, for reasons  
: 1.5 (b) and (d).

Summary

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1. (C) We have "extremely high expectations." That was how Ivo Sanader described on December 19 what he hopes will be very good bilateral relations with the U.S. when he becomes Croatia's Prime Minister next week. Meeting at the Ambassador's request in the HDZ party headquarters, Sanader stressed that his early priorities would be moving full throttle toward EU and NATO membership. He said he understands U.S. priorities in Croatia and wants to become our "strategic partner" in the region. When the Ambassador flagged several issues of concern to the U.S., Sanader took them on board. He promised to work to ratify the MOU on intellectual property in January. On refugee returns, he said he wants to move faster than the previous government and has already made progress with Croatia's leading Serbian political party. On ICTY, he said he was determined to get relations off to a good start (septel to follow). On an Article 98 agreement, Sanader promised to move as fast as he could, but obvious near-term constraints loomed. End summary.

NATO a Bigger Priority

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2. (C) Prime Minister-designate Ivo Sanader, joined by incoming Foreign Minister Miomir Zuzul, met the Ambassador on December 19 at HDZ headquarters. He said he intends to be "very ambitious" in his first months in office. Priority would remain getting Croatia into NATO and the EU. NATO membership was a strategic priority -- Sanader hopes it can be accomplished by 2006 -- but he sees it as part of a process that can only speed up Croatia's EU membership. The Prime Minister-designate pointed to the 10 new countries entering the EU next spring as an example of this symbiotic relationship. He said he looks forward to discussing Croatia's NATO aspirations at the Istanbul Summit in May. The Ambassador stressed that the U.S. remains committed to seeing Croatia join NATO, hoped that the government can continue the requisite defense reforms, but cautioned that NATO's timetable is also governed by other outside factors.

EU Aspirations on Track

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3. (C) Sanader was satisfied that Croatia's EU aspirations remain well on track. He had a good conversation with Romano Prodi on December 18. Prodi had not been "precise" in his assurances, but Sanader said he was confident that Croatia would receive a positive avis sometime in the spring, and he hopes it would be approved by the Council of Ministers sometime around June. In the meantime, German Chancellor Schroeder invited Sanader for an official visit to Berlin on January 8. Sanader said he will be in Brussels for meetings with Prodi at the European Commission and the new NATO Secretary General on January 12-13, and travel to Strasbourg

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after that. In a visit that was postponed from this week, he plans to be in Rome for meetings with Prime Minister Berlusconi and the Pope on January 20. The new Prime Minister's schedule is filling up.

Article 98

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4. (C) Related to Croatia's EU focus, Sanader told the Ambassador that he wanted to work with us on an Article 98, but that he would have to be very cautious. He said in talking to Prodi and others about Croatia's EU aspirations, Article 98 was always there -- or, as he put it, always "somewhere present in the air." The Ambassador underscored that signing an Article 98 with Croatia remains a priority in Washington and that we want to move forward on it. Sanader said he would work with us, but timing would be important. He noted it would be enormously difficult to get the two-thirds support such an agreement would require in the

Croatian Parliament, probably not before the European Council of Ministers approved Croatia's avis next summer.

IPR MOU  
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15. (C) When the Ambassador discussed the long-stalled Memorandum of Understanding on Intellectual Property Rights between Croatia and the U.S., Sanader promised to move it to the Croatian Parliament for ratification. Both Sanader and Zuzul were familiar with the issue -- Zuzul had been the Croatian Ambassador in Washington when the MOU was first

signed in 1998 -- and looked eager not to let it become a thorn in our bilateral relations. Zuzul told the Ambassador the problem had always been Croatian Pharmaceutical company Pliva's opposition. The Ambassador noted that he had discussed the issue with Pliva's CEO and been assured that the company would not oppose ratification. By way of concluding discussion on the MOU, Sanader turned to Zuzul and said, "Let's do it immediately." Zuzul nodded, and they indicated it should be ratified by January.

Refugees, Serbian Community  
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16. (C) Sanader wanted to raise with the Ambassador progress he had made with Croatia's leading ethnic Serbian Party (SDSS). SDSS would not join the government but it agreed to support the HDZ-led coalition in the Parliament. To secure the agreement, Sanader said, he promised to work much more effectively and proactively to secure refugee return and on "all other open issues" -- including even tenancy rights, an issue which the previous government had dragged out endlessly over its mandate. We "don't want delays like under Racan," he said. The Prime Minister-designate boasted that the new coalition now enjoys the support of "all" the minority communities in Croatia.

Croatian Troops to Iraq  
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17. (C) Two other issues the Ambassador raised with Sanader included sending Croatian troops to Iraq and concern that a Croatian ship-yard is contemplating refitting a Libyan naval vessel. After repeated delays, Croatian authorities had already indicated tentatively that it would act positively on dispatching troops to Iraq, but time ran out in the previous government's mandate. The Ambassador handed Sanader a non-paper describing to him the modalities for the new government to move forward should it seek to commit troops. Sanader took it on board, professed not to know much about the subject, but reminded the Ambassador that he had been supportive of the U.S. Iraq policy since before the war started. Dispatching troops to Iraq -- the MOD has in mind a Special Forces unit -- would, like an Article 98, require a two-thirds vote in the Parliament.

Libya Vessel  
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18. (C) The Ambassador also took the opportunity to brief the incoming Prime Minister on the firm U.S. position concerning Libya. There have been reports, he said, that a contract had been signed to refit a Libyan naval vessel called the "Al-Munyed" at a Rijeka shipyard. The Ambassador stressed that military cooperation with Libya had no productive future and could be illegal under U.S. law. Sanader said he knew nothing about any possible deal, but promised to look into the matter. The Ambassador urged the Prime Minister-designate to take up the matter with President Mesic, who has been informed of the U.S. position.

Comment  
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19. (C) It is prudent to stay in wait-and-see mode, but so far the Prime Minister-designate has made no wrong moves or statements. The bad news is clearly that he recognizes the difficulty of delivering an Article 98 agreement in the immediate future, but he wants to keep working at it. We will see where this leads. He knows it is important to us and that we hold some cards -- in particular, the U.S. has been Croatia's biggest NATO backer. Notwithstanding this obstacle, Sanader and Zuzul are keen to get the relationship off to the right start. They want to visit Washington early in the new government's mandate and hold some high level meetings. If they stay on the reform course they have plotted, and are able to deliver on some of their promises -- such as a ratified MOU -- we should be receptive to granting the new Prime Minister a good visit sometime early in the new year. We believe it important to reach out to them now, especially with the EU moving so quickly to gain their support of positions which -- on some issues -- are contrary to our own.

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